

## Schools Forum – 10<sup>th</sup> November 2022

### High Needs Block update

#### Executive Summary:

- The forecast outturn for the 2022/23 High Needs Block is £6.0m overspend.
- At the end of the last financial year the DSG reserve is in deficit by £8.6m and will deepen given the expected overspend in 2022/23.
- Indicative Government funding next year will see Staffordshire's High Needs Budget increase to £122m (c 6%). However this is insufficient to close the gap and it is likely that a further overspend will arise in 2023/24 of c £8m [there is a risk this could be significantly worse given clarifications in the HNB Operational Guide 23/24 regarding the funding of other authority 'Looked After Children']
- Left unaddressed the accumulated DSG Deficit is forecast to worsen over the next 4 years to between £70m and £100m by 2026/27.
- A 'Deficit Management Plan' (DMP) has been worked up, based on the Council's SEND Strategy, that aims to develop a more inclusive system where more CYP with SEND access mainstream education - wherever possible within their local community - and if appropriate with specialist support. This will provide for a more sustainable model, with better outcomes for our CYP and reduce reliance on the non-maintained and independent sector.
- This will take time to impact and, in order to limit the extent of the accumulated deficit arising over the next few years, the DMP also includes a range of interventions and policy reviews that will provide for additional resource / reduce costs in the short and medium term.
- Given the continuing SEND demand, and growing deficit, Schools Forum are being asked to approve the transfer of 0.5% funding from the schools block for high needs in 2023/24. This forms a key part of the Council's DMP.
- The DMP will be monitored going forward and brought forward regularly to Schools Forum as part of the routine HNB update report.

#### Recommendations:

That Schools Forum notes:

1. the High Needs Block budget 2022/23 and latest forecast outturn
2. the latest budget assumptions 2023/24 and going forward
3. the Deficit Management Plan 2022/23 – 2026/27
4. the outcomes of the Council's consultation with schools regarding the 0.5% funding switch in 2023/24.
5. **That Schools Forum agrees to the 0.5% transfer from the Schools Block of the DSG to the High Needs Block (HNB) in 2023/24.**

Report of Director for Children & Families

## Background

6. The financial risk of the High Needs Block (HNB) has been a standing agenda at Schools Forum. The increase in demand on the High Needs Block has been reported regularly. Pressures on the High Needs block are ongoing due to the continued increase in a range of areas. These include:
  - Additional needs requests
  - Increase in pupil numbers requiring EHCPs,
  - Extension of age group to 25 for those with EHCPs,
  - Increase in independent placements and costs,
  - Increase in Matrix funding for special schools,
  - The funding of increased numbers of pupils educated 'other than at school' (EOTAS)

## Budget 2022/23 and Forecast

7. For 2022/23 the Government initially confirmed an increase in the overall High Needs Block of £780m; however, as part of the 2021 Autumn Spending Review further funding of £325m has been confirmed in recognition of the significant service and cost pressures impacting in this area. This follows many years of government underfunding that has led to a severe crisis in this area nationally where funding has failed to keep pace with costs and demand.
8. For Staffordshire the High Needs budget 2022/23 is £114.8m; an increase of £13.7m compared with 2021/22 (13.6%). There has been no transfer of funding from the Schools Block this year to supplement the HNB budget.

This increase has been passed on in full for the provision of SEND and high needs; none of this funding increase will be used to repay historical deficits. For 2022/23 Special School budgets 22/23 have been set based on:

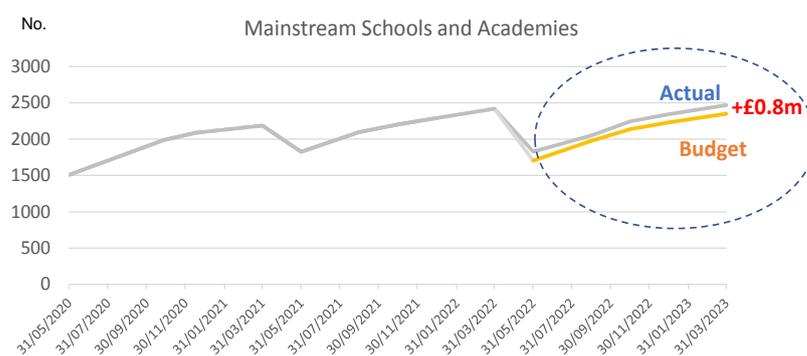
- a Minimum Funding Guarantee of 2.5% (higher than the MFG set by Government of 0%); ensuring that funding for all Special Schools, on a like for like basis, increased by a minimum of 2.5%.
  - no capping of school gains
9. Whilst the additional Government funding is recognised, rises will only keep pace with rises in cost and demand and are insufficient to 'close the gap'. The forecast overspend this year is circa £6.0m (a more detailed overview of the HNB budget is provided within Appendix 1):

<b>High Needs Budget 2022/23</b>	Budget 22/23 £m	Outturn £m	Over / (Under) spend £m
Planned Places	33.1	33.1	0.0
Top Up Budgets	40.6	42.5	1.9
<b>Non Top Up Budgets</b>			
Independent Schools (Mainstream & Special)	25.7	28.8	3.1
Alternative provision (inc Hubs)	3.7	3.8	0.1
Post 16	4.7	5.4	0.7
Other	7.0	7.5	0.5
<b>Total Net Spend</b>	<b>114.8</b>	<b>121.1</b>	<b>6.3</b>
<b>Total Funding</b>	<b>(114.8)</b>	<b>(115.1)</b>	<b>(0.3)</b>
<b>Net Outturn</b>	<b>0.0</b>	<b>6.0</b>	<b>6.0</b>

## 10. Key variances arising

i. An overspend of c £1.9m against the school 'top up' budgets, largely a result of:

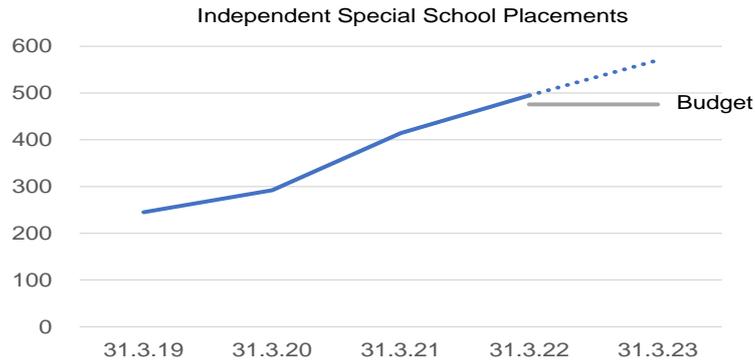
- the number of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £0.8m overspend:



- An overspend of £1.0m in special schools and academies, arising as a result of both an increase in demand and a rise in the proportion of children receiving higher levels of top ups as a result of increasing needs.

	2022/23		
Top Ups	# fte		£m
Matrix 1	513	23%	0.1
Matrix 2	771	34%	1.3
Matrix 3	977	43%	8.3
School Specific	2261		2.7
Additional Places			0.7
Enhancements			3.0
Exceptional Need			0.7
Residential			1.8
Adjustments (part time / backdated)			0.2
EBT (1-10)	61		0.6
EBT (school specific)			0.1
Allowance for more growth			3.0
<b>Total Spend</b>			<b>22.4</b>
Budget			21.4
Variance			1.0

ii. An overspend of c £2.8m in Independent Special Schools



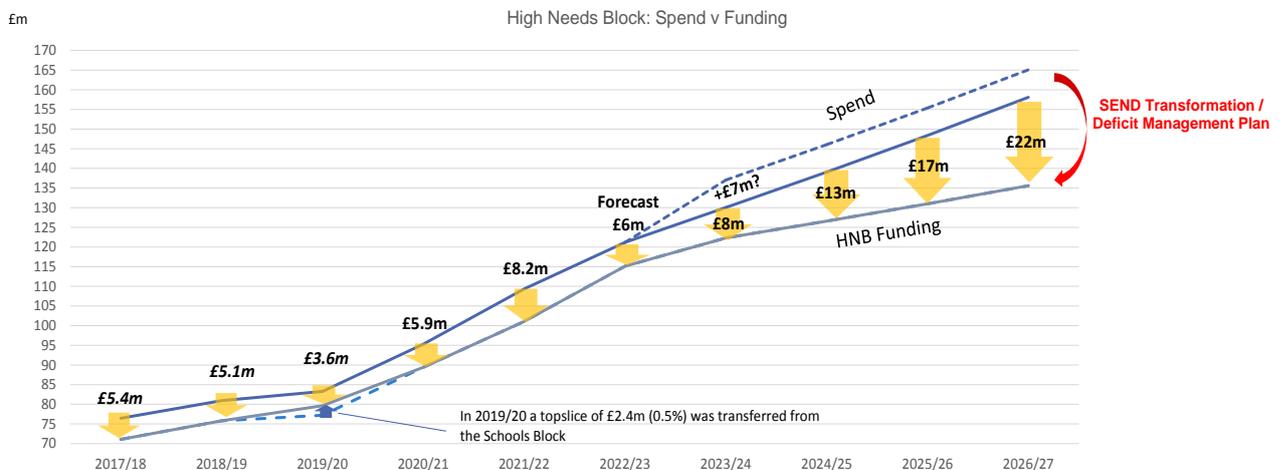
iii. Other net overspends of c £1.3m due to increasing demand, most significantly for Post 16 provision (£0.7m) and Early Years (SEN Inclusion fund) (£0.4m).

Budget 2023/24 and Going Forward

11. In 2023/24, based on initial estimates, Staffordshire’s high needs budget next year will increase to c £122.3m (an increase of 6% compared to 2022/23).

This is lower than in previous years and it is unrealistic to assume Government funding will continue to increase in line with recent levels. The assumption is that, going forward, the High Needs Block will increase annually by c 3% p.a. from 2024/25.

12. Whilst the additional Government funding is recognised, increases in recent years have been passed on in full for the provision of SEND; none has been used to repay historical deficits. As such rises have only kept pace with rises in cost and demand and have been insufficient to ‘close the gap’. It is anticipated there will be a further significant overspend next year of at least £8m and – left unaddressed – will likely increase annually going forward:



[Note: in the latest HNB Operational Guidance 2023/24 (section 17.1) a clarification has been brought forward regarding the maintenance and funding of EHCPs for other authority 'Looked After Children' but residing within Staffordshire e.g. fostering. This requires further investigation but, based on initial estimates, there is a risk that this could lead to a significant additional burden of c £7m p.a. and will increase the overspend to c £15m in 2023/24 rising to £29m in 2026/27]

### DSG Reserve and Deficit Management Plan

13. As a result of the on-going overspend in the HNB, over the last few years the DSG reserve has been fully depleted and at the end of last year (21/22) there is an accumulated deficit of c £8.6m. Given the latest forecast overspend 2022/23 of £6m that deficit is likely to increase this year and, after the transfer of anticipated surpluses from Growth Fund and Central Block, is forecast to be £12.8m in deficit at the end of the current year:

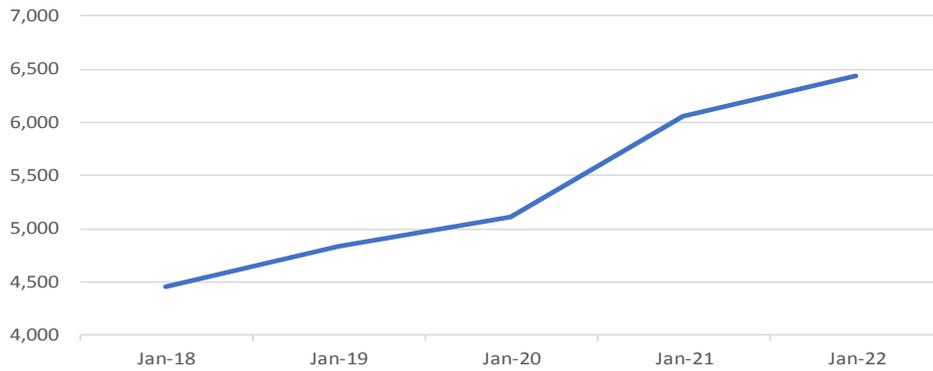
	<u>£m</u>
Accumulated deficit end of 21/22	8.6
- Forecast HNB Overspend 22/23	6.0
- Forecast Growth Fund surplus 22/23	-1.5
- Forecast Central Block surplus 22/23	-0.3
Forecast Accumulated deficit end of 22/23	<u>12.8</u>

14. The HNB overspend – and accumulated deficit - is mainly due to increased demand for Special Educational Needs provision and in particular:
- i. the rise in demand for Education, Health and Care plans (EHCPs) following national reforms from 2014;
  - ii. increasing complexity of children's needs; and
  - iii. the rising demand and costs for out of county (Independent) placements.

In particular there has been a significant increase in demand for those CYP with a primary need of Social, Emotional and Mental Health (SEMH), Speech, Language and Communication (SLC), or Autism Spectrum Conditions (ASC) and there is an increasing population of CYP presenting with anxiety and associated mental health conditions which are preventing attendance at school, placing increasing pressure on the Alternative Provision element of the HNB due to the additional use of tuition and EOTAS.

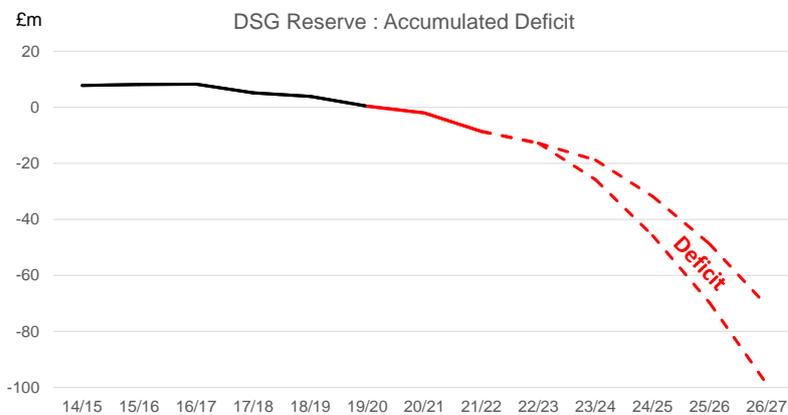
15. The following shows the rise in demand for EHCPs within Staffordshire over the last 4 years; whilst increases are in line with national trends data also indicate that we have too many Children and Young People (CYP) with EHCPs educated in the specialist sector:

Staffordshire EHCPs (January census)



	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22
Staffordshire	4,456	4,835	5,117	6,056	6,437
Year on Year change		8.5%	5.8%	18.4%	6.3%
Nationally	319,819	353,995	390,109	430,697	473,255
Year on Year change		10.7%	10.2%	10.4%	9.9%

16. Pressures on the HNB and resulting accumulated DSG deficit is a key risk faced by the Council and is being monitored closely as part of its corporate finance and performance reporting and risk register. Going forward it is anticipated that demand – and costs - will continue to increase in line with historic rises. Given the anticipated annual HNB overspend, this could see the overall accumulated DSG deficit increase to between £70m and £100m by the end of 2026/27:



### Deficit Management Plan

- Background

17. Under Department for Education (DfE) guidance, as outlined in the DSG Conditions of Grant, any local authority with an overall deficit on its DSG account “must co-operate with the DfE in handling that situation”. In particular, the authority must:

- provide information as and when requested by the department about its plans for managing its DSG account
- provide information as and when requested by the department about pressures and potential savings on its high needs budget

- meet with officials of the department as and when they request to discuss the authority's plans and financial situation
- keep the schools forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings

The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where they are not taking sufficient action to address the situation.

18. The DfE acknowledges the pressures which local systems are experiencing delivering SEND services and has brought forward two intervention programmes for those authorities with the largest deficits:
- i. Safety Valve; a programme of targeted support / 'bail out' agreements for those authorities with the greatest DSG deficits. These agreements will hold the local authorities to account for delivery of reforms to their high needs systems, so that they can function sustainably and therefore in the best interests of the CYP they serve. These local authorities will be expected to reach an in-year balance on their DSG as quickly as possible, and over time eliminate their deficits. The DfE have indicated that, if conditions are not met, then it "will not hesitate to withhold payments".
  - ii. Delivering Better Value (DBV) for SEND; a programme of support for local authorities to improve delivery of SEND services for CYP while ensuring services are sustainable. This optional programme is currently providing dedicated support and funding to 55 local authorities – chosen based on those with the greatest deficits as at 2020-21 (after those authorities that have already been invited to join the DfE's safety valve programme).

At a meeting with ESFA earlier in June earlier this year it was confirmed that the programmes are available to those local authorities with the greatest DSG deficits and it is unlikely Staffordshire would be invited to join either programme.

19. Given the current level of 'DSG deficits' within the system, a further intervention has been brought forward – this time by DLUHC – requiring authorities to hold DSG deficits in a separate reserve in the authorities accounts<sup>1</sup>. This is a temporary 'statutory override' for the 3 years 2020/21 to 2022/23 and effectively restricts the Council from applying its general resources to help support the High Needs Block. However this accounting treatment is only allowed up to and including the accounts for 2022/23 beyond which time authorities will need to demonstrate their ability to cover DSG deficits from their available reserves; it is therefore crucial that authorities' high needs systems move to a more sustainable position. Further guidance is expected shortly regarding how DSG deficits should be treated after 2022/23.

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<sup>1</sup> The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020

- Key themes

20. Our SEND strategy vision is:

“All children and young people with SEND are given the opportunity to achieve everything that they can. They engage with the right support at the right time from their parents/carers, the community and the professionals that work with them to make this happen.”

21. Staffordshire is a large geographical area and has a diverse population so we will strive for consistency throughout Staffordshire with education settings encouraged to be inclusive, needs met as early as possible, independence skills encouraged at every stage and children at the centre of every decision. We have set 4 priorities to focus on to help achieve our vision:

- i. We communicate well with each other
- ii. We work in partnership to meet the needs of CYP
- iii. We ensure that the right support is available at the right time
- iv. We encourage communities to be inclusive

22. No single action alone will be sufficient to mitigate the existing deficit, but this will only be addressed through a combination of interventions. A longer term financial management plan to recover the deficit, using the ESFA recommended ‘deficit management plan’ template, has been developed that is consistent with the actions and objectives outlined in the Council’s Accelerated Progress Plan and wider SEND Strategy. This is summarised below based on two key themes: Managing Demand and Sufficiency of Places; and Financial Management.

- Managing Demand and Sufficiency of Places

23. Strategies developed as part of the Accelerated Progress Plan;

- will continue to support multi-agency working to enable true coproduction that is based on the principle of holistic outcomes. This will provide support prior to and a review of the Education, Health and Care Needs Assessment (EHCNA) pathway so that a ‘team around the child’ approach is developed as part of the graduated response. The intention is to ensure the appropriate level of early intervention is available and robust decision making is in place to determine who requires an EHCNA.
- A central EHCNA panel has been established to ensure a robust and consistent review and challenge of initial requests and graduated approach prior to assessment.
- A review of specialist provision (mainstream, special and alternative provision) including enhanced provision in mainstream schools (Enhanced Resource Bases) to ensure there is sustainable provision across the county that meets current and future needs and demands. It is our strategy:
  - to increase the number of CYP with EHCP who access mainstream education- wherever possible within their local community and if appropriate with specialist support
  - to provide additional capacity within our specialist sector for CYP who require a more specialist/tailored provision targeted at the increasing trend of SEMH and ASC
  - reduce reliance on Independent Specialist Provision

#### 24. Early Intervention;

- SEND & Inclusion District (Hubs) model; Staffordshire is continuing to embed the SEND and Inclusion District model which:
  - provides mainstream education providers, at a local level, with multi agency support and challenge as well as promoting inclusive practice
  - builds on and promotes the early help model and graduated<sup>2</sup> approach as a key tool for inclusion and meeting the needs of CYP at the earliest opportunity and before they escalate and require an EHCNA / EHCP to access support.

The Council has earmarked c £3m for Inclusion and SEND Partnership Boards across the county based on the District SEND and Inclusion model. There are 8 ISPBs and funding has been allocated for i) AEN funding – allocated and commissioned at a local level - to provide support and mentoring etc for CYP pre statutory processes to meet needs; and ii) additional funding to provide support to schools as part of specialist outreach in order to avoid escalation and provide early intervention and funding to provide support for alternative provision to avoid permanent exclusion - this is targeted at those CYP at risk of permanent exclusion.

This is a necessary investment now to achieve the capacity and cultural changes required to deliver a longer term sustainable model. This will take time to impact and, for now, is an additional burden on the existing HNB budget which is already overstretched. The proposal therefore (see below) is that this programme is financed from the Schools Block Transfer of 0.5%.

- SEND Inclusion Fund; There has been a significant increase in demand for support to Early Years (pre-school) children pre EHCP. Accordingly the Council has made significant additional investment through the SEND Inclusion Fund to provide early support and intervention that prevent needs from escalating.

#### 25. Capital investment; Staffordshire has approved a capital programme of c £16.4m to deliver new places and improve existing provision, within education settings, for CYP with special educational needs and disabilities (SEND). This is in accordance with the Vision and Priorities outlined in the Staffordshire Special Educational Needs and Disabilities (SEND) Strategy 2021-2026.

Following a public consultation earlier in the year (June-July 2022) it has been agreed that resources should be prioritised to:

- Increase access to mainstream placements for CYP with high needs (who might otherwise require more specialist provision) with the development of resource bases

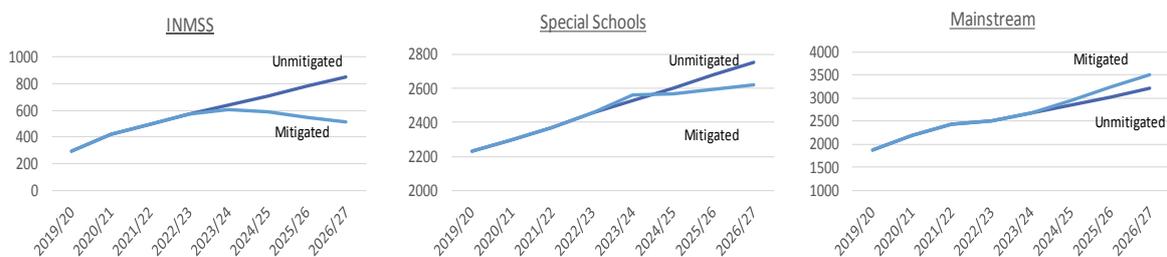
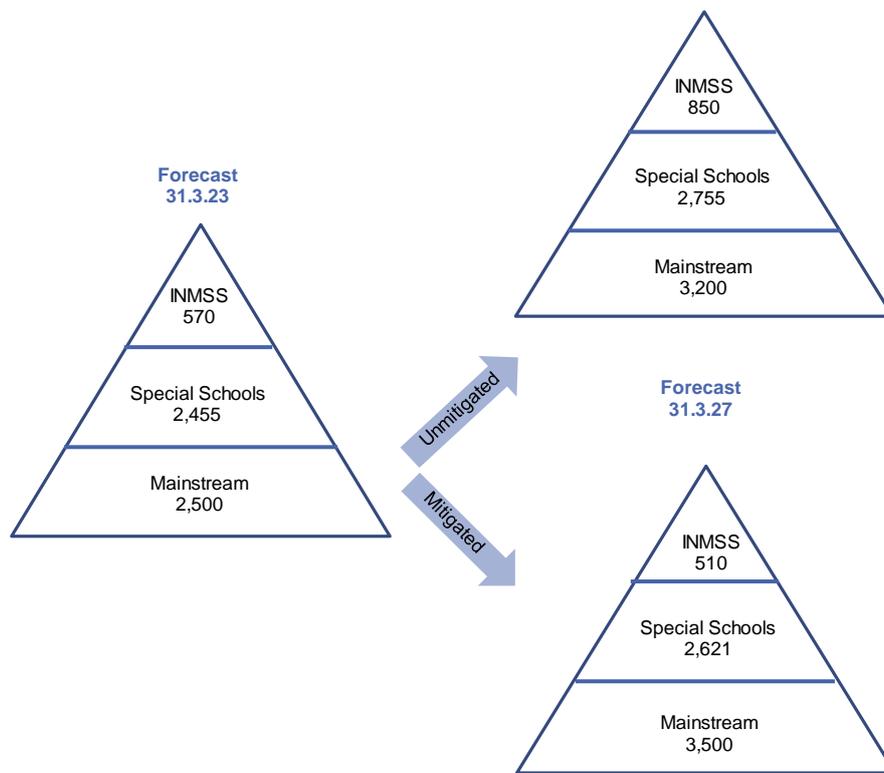
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<sup>2</sup> The Graduated response toolkit has been launched to provide education providers with support and guidance at an early stage to avoid escalation into the statutory provision.

- Increase the local availability of high needs places to help reduce the requirement for out of area placements/placements at independent special schools

Note: to be clear, the capital investment is for the development, improvement and expansion of school infrastructure. The on going revenue costs of additional placements will continue to be funded from HNB.

26. Through the strategies outlined above, it is anticipated that over time we will develop a more inclusive model where, with the support of the changes proposed in the SEND review, more of our CYP with SEND are supported within their local community and in line with the national averages. The following shows the expected demand (unmitigated) going forward and, with mitigations, how that is likely to be impacted:



- Financial Management

27. From 2022/23 the Council has implemented a new 'Education Banding Tool' (EBT) for the identification and assessment of SEND. This will provide for a more consistent and fair assessment and will better identify where partner contributions (e.g. health) should be recovered. Going forward we will review the implementation of the EBT in line with intended objectives and affordability (acknowledging Government set Minimum Funding Guarantee (MFG) levels).
28. Through the Staffordshire SEND and Inclusion Partnership Group - which is co-chaired by the local authority and Integrated Care Board (formerly the CCGs for Staffordshire) - we will continue to develop joint commissioning arrangements with health colleagues.
29. Review of non-statutory activity that is funded by HNB - this includes a review of:
  - existing policy for the acquisition of additional planned places procured throughout the year.
  - existing contracts for residential education provision
  - alternative funding sources where appropriate
30. The Council will continue to monitor closely contracts for independent provisions to ensure they are cost effective, adequately meet needs and continue to offer good value.
31. We are reviewing of our direct payments and personal budgets to ensure that they meet the needs of CYP and there is sufficient information and support for schools, practitioners and parents.
32. Transfer of 0.5% funding from the Schools Block to the High Needs Block (circa £3.1m in 23/24). This will be invested to fund the Council's transformation programme outlined above.
33. Continue to lobby central government for funding increases which properly match the levels of need in Staffordshire. This continues to be an issue raised by Local Authorities across the sector and representation made through Society of County Treasurers (SCT), EMFOG, LGA, CCN and the F40.

- Other

34. Schools Forum has agreed that the following other contributions should be earmarked for transfer to the Council's DSG reserve:
  - i. surplus Growth Fund money (after amounts have been used to fund NFF shortfalls and contributions to schools for in year growth<sup>3</sup>). In 2022/23 this is estimated to be c £1.5m and a similar contribution is forecast for 23/24.
  - ii. surplus unallocated funds, as part of the allocation of on going education functions (central schools services block). For 2022/23 this is estimated to be c £0.3m and for 2023/24 is c £0.5m (including both on going functions and historic commitments);

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<sup>3</sup> In accordance with the Councils' Growth Fund Policy

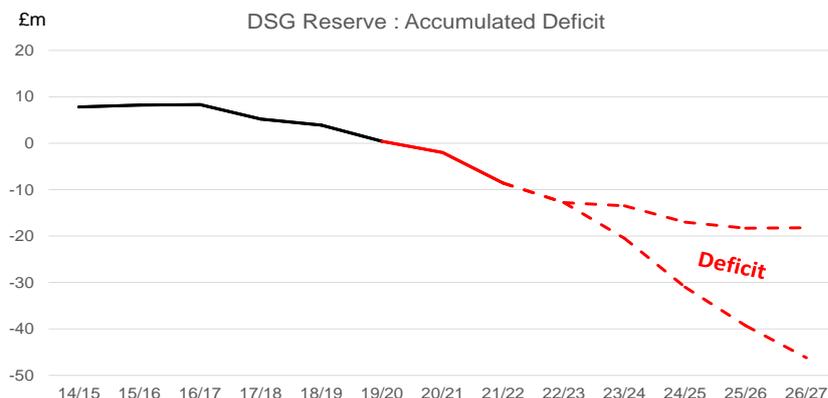
No further contributions are currently assumed beyond 2023/24 due to uncertainty of future funding levels and grant conditions.

35. The following table demonstrates financial implications of the cost avoidance estimates identified in the report. It shows 2 scenarios:

- i. Scenario A: the indicative cost avoidance ranges from c £5m in 2023/24 to c £22m by 2026/27 and will 'close the gap' over the next 4 years to bring spend back in line with budget by 2026/27.
- ii. Scenario B: following clarified guidance within the HNB Operational Guide regarding recoupment of EHCP costs for CiC of other Local Authorities, then there is a risk that spend increase by c £7m. In that event further mitigating savings will need to be brought forward (as yet unidentified) and would likely depend on additional powers and freedoms anticipated in the forthcoming Government SEND Review (see below)

	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
<b>HNB In Year Forecast</b>					
Expenditure		127.2	136.1	144.4	153.9
SEND Transformation *		3.1	3.3	3.4	3.5
<b>Total HNB Expenditure</b>	<b>121.1</b>	<b>130.3</b>	<b>139.4</b>	<b>147.8</b>	<b>157.4</b>
<b>HNB Allocation</b>	<b>115.1</b>	<b>122.3</b>	<b>126.4</b>	<b>130.8</b>	<b>135.4</b>
<b>Funding Gap (Unmitigated)</b>	<b>6.0</b>	<b>8.0</b>	<b>13.0</b>	<b>17.0</b>	<b>22.0</b>
<b>Mitigations</b>					
<b>Managing Demand &amp; Sufficiency of Places</b>					
- Reduce dependence on Independent providers by increasing and widening provision with our mainstream and special schools		-0.3	-3.6	-8.8	-15.1
<b>Financial Management</b>					
- Review policy for acquisition of additional Planned Places		-0.5	-1.0	-1.0	-1.0
- Review non statutory activities currently undertaken and funded from HNB		-0.9	-0.9	-1.8	-1.8
- Review support functions and alternative funding opportunities		-0.2	-0.2	-0.2	-0.2
- Improved assessments that help us better understand needs and maximise partner contributions where appropriate		-0.3	-0.5	-0.5	-0.5
- 0.5% Schools Block Transfer *		-3.1	-3.3	-3.4	-3.5
Management Plan	0	-5.3	-9.5	-15.7	-22.1
<b>Forecast In Year HNB Deficit (Mitigated) - SCENARIO A</b>	<b>6.0</b>	<b>2.7</b>	<b>3.5</b>	<b>1.3</b>	<b>-0.1</b>
<b>New Burden - Additional SEND costs re Other Authority LAC</b>		7.0	7.0	7.0	7.0
<b>Forecast In Year HNB Deficit (Mitigated) - SCENARIO B</b>	<b>6.0</b>	<b>9.7</b>	<b>10.5</b>	<b>8.3</b>	<b>6.9</b>

36. Whilst this will not address the accumulated deficit, it will limit the shortfall to between £18m and £45m by 26/27 to be addressed over the longer term:



## SEND and AP Green Paper

37. The DfE undertook a SEND review: Right support, right place, right time in 2019, and the Green paper was published for consultation in Spring 2022. This identifies three symptoms of a system under pressure:

- Poor outcomes for CYP with SEND in alternative provision
- Low parental and provider confidence
- Financial unsustainability

And diagnoses that these challenges are driven by a vicious cycle of:

- Late intervention
- Low parental confidence
- The inefficient allocation of resource across the system

This drives and is driven by high levels of inconsistency in practice and provision, based on location rather than need.

38. The green paper goes on to propose a theory of change based on:

- Improved mainstream provision with high quality teaching and consistent expectations of support so that needs are identified accurately and quickly, reducing the risk of misidentification and escalation of needs.
- Appropriate and affordable specialist provision for those CYP who require it. This should be close to home where possible, preventing the need for long journeys and associated school transport costs.
- Greater national consistency on how needs are identified, recorded and met so decisions are taken based on a child's needs rather than where they live, with minimal bureaucracy in accessing the right support.
- Strengthened accountability and funding reform to ensure that all partners have clear roles and responsibilities in line with nationally consistent expectations, and are held to account for delivering these.

39. The paper sets out the goal for CYP with SEND receive the right support, in the right place and at the right time. This is proposed to be delivered by:

- A new single national SEND & AP provision system across education, health and social care. Statutory national standards on how needs are identified, recorded and met so decisions are taken based on a child's needs rather than where they live, with minimal bureaucracy in accessing the right support.
- Excellent provision for early years to adulthood with high quality teaching and consistent expectations of support so that needs are identified accurately and quickly, reducing the risk of misidentification and escalation of needs, with investment in specialist provision for those who require it.
- A reformed national vision for AP so that CYP receive targeted support in mainstream or access to placements in AP

- System roles, funding reform and strengthened accountabilities and greater transparency, with clear roles and responsibilities for all partners.
- Delivering change for children and families through a well designed delivery programme that stabilises the system in the immediate term and delivers culture change for an inclusive system in the longer term.

40. Positively the above is consistent with Staffordshire’s strategic aims and objectives outlined above. The Government are currently considering feedback on the consultation and we await further guidance; the outcome of the paper is likely to have an impact on the current DMP and any changes will be refreshed accordingly and presented to the Schools Forum.

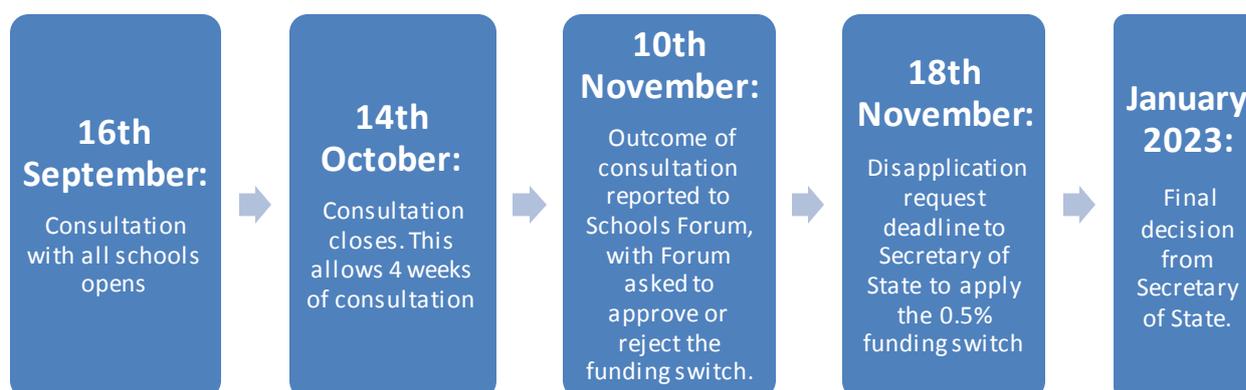
#### 0.5% Funding Switch (Schools Block to High Needs Block)

41. Whilst our SEND programme is expected to reduce pressures in this area over time, this is unlikely to have a significant impact in the short term. Given the existing DSG deficit, it is essential that the Council takes action to mitigate as far as possible the increasing financial pressures in this area.

42. The Schools Operational Guide 2023/24 (Section 30) confirms that local authorities may transfer up to 0.5% of their schools block funding into another block, with the approval of their Schools Forum:

“The schools block is ring-fenced in 2023 to 2024, however local authorities can transfer up to and including 0.5% of their schools block funding into another block, with the approval of their schools forum.

43. In order to make a transfer of budget from the Schools Block to the High Needs Block, the Council must consult with all local maintained schools and academies, so that the Schools Forum can take into account the views of all schools before deciding whether to approve or reject the funding switch.



44. The total amount that would be transferred would be determined by the 2023/24 allocations confirmed in December 2022. However, based on latest forecasts, it is expected that this would be in the region of £3.1m. Importantly, latest guidelines also require local authorities to set a Minimum Funding Guarantee of between +0% and +0.5% even after the funding switch has been applied.

### School Consultation

45. At the meeting of the Schools Forum on 14 July 2022, members were notified of the proposal to enter into consultation with schools and academies on the 0.5% funding switch to HNB in 2023/24. The consultation (see Appendix 2) commenced on Friday 16 September and closed at 5pm on Friday 21 October<sup>4</sup> 2022. This allowed five weeks for schools to respond as it was extended by an additional week.

The result of the consultation is as follows:

	Positive	Negative
Total responses received (94)	21	73

Further details and supporting commentaries are available at Appendix 3.

46. The view of schools is largely opposed to the transfer (see above) but on a low sample (response rate of only 25%). Further details and supporting commentaries are available at Appendix 3.
47. Given the existing deficit, and lack of available reserves to manage financial risk, it is appropriate that a transfer of 0.5% from the Schools Block to the High Needs Block is made in 2023/24. This forms a key part of the Council's deficit management plan.

We therefore request approval by Schools Forum to make the 0.5% switch

48. In previous years Schools Forum has recognised the significant pressure on the HNB but also want to take a position that DfE should be funding the increase in demand following the publication of the SEND code of practice. Therefore sending a clear message to the SoS. However this lobbying position has had limited effect and therefore the Council is asking Schools Forum to change their position as it is unlikely the DfE will consent to the switch without Schools Forum support.
49. In the event of Schools Forum being against the switch then the Local Authority will make representation to the Secretary of State for the switch to take place (deadline for disapplication referrals is 18<sup>th</sup> November).

### Equality Implications

50. The key groups affected by the proposals are CYP with special educational needs and disability (SEND) aged 0-25 in Staffordshire. The Council is committed to inclusive education for all CYP with SEND in our mainstream schools, enhanced resource schools and special schools.
51. The DSG DMP has been developed in order to improve outcomes for CYP and achieve financial sustainability. The proposals support the needs of CYP with

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<sup>4</sup> The deadline was extended by 1 week due to very low response rates in time for the original deadline of 14 October.

SEND to be met earlier through evidence based interventions and aim to increase the number who access mainstream education- wherever possible within their local community - where appropriate with specialist support – and reduce our reliance on high cost placements in the non-maintained and independent sector.

52. There are considered no equality implications arising as a consequence of the proposals in this report.

### Stakeholder Consultation

53. The Council's Accelerated Progress Plan and SEND Strategy has been developed/coproduced following consultation and engagement with representatives from across the education sector and, through the SEND & Inclusion Partnership Group, with parent and carers, elected Members and Health partners. The DMP is supportive and consistent with the actions and objectives outlined in the Council's Accelerated Progress Plan and SEND Strategy.
54. Going forward the DMP will be shared and monitored through the HNB Working Group and will be presented to each Schools Forum meeting as part of the routine HNB Update.

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Appendix 1 – Forecast Outturn 2022/23 (as at Quarter 2)

<b>2022-2023 HIGH NEEDS BUDGET (as at Quarter 2)</b>	<b>Latest Budget</b>	<b>Forecast Outturn</b>	<b>Over/(Under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Planned Places</b>	<b>33.1</b>	<b>33.1</b>	<b>0.0</b>
<b>Top Up Budgets</b>	<b>40.6</b>	<b>42.5</b>	<b>1.9</b>
Staffordshire Special Schools and Academies	20.9	21.9	1.0
Staffordshire Mainstream Schools	15.0	16.3	1.3
Pupils in other LA Special & Mainstream Schools & Academies	2.2	2.3	0.1
Pupil Referral Units	2.5	2.0	(0.5)
<b>Non Top Up Budgets</b>	<b>41.1</b>	<b>45.5</b>	<b>4.4</b>
Independent Schools Mainstream	1.8	2.1	0.3
Independent Schools Special	23.9	26.7	2.8
Independent Hospital Fees	0.2	0.3	0.1
Early Years PVLs	0.2	0.6	0.4
Alternative provision (inc Hubs)	3.2	3.2	0.0
Education Other Than At School (EOTAS)	0.5	0.6	0.1
SEN Support Services	6.6	6.6	(0.0)
Post-16 FE Placements & Top-ups for ISPs	4.7	5.4	0.7
<b>GRAND TOTAL</b>	<b>114.8</b>	<b>121.1</b>	<b>6.3</b>
<b>Funding</b>	<b>(114.8)</b>	<b>(115.1)</b>	<b>(0.3)</b>
High Needs Allocation from Government	(114.8)	(115.1)	(0.3)
Transfers from other Blocks	0.0	0.0	0.0
<b>NET FORECAST OUTTURN</b>	<b>0.0</b>	<b>6.0</b>	<b>6.0</b>

## Appendix 2: **Consultation on the transfer of funding from the Schools Block to the High Needs Block 2023/24**

The local authority will be making a request to Schools Forum in November for agreement to transfer 0.5% of the Schools Block to the High Needs Block. This is the amount specified by the DfE within the Schools Operational Guide 2023/24 (Section 30):

“The schools block is ring-fenced in 2023 to 2024, however local authorities can transfer up to and including 0.5% of their schools block funding into another block, with the approval of their schools forum. Without schools forum agreement, or where they wish to transfer more than 0.5% of their schools block funding into one or more other blocks, local authorities must submit a disapplication request to the Secretary of State.

If local authorities wish to transfer any funding out of the schools block in 2023 to 2024, the department expects to see evidence of recent schools forum discussion and the schools forum vote. This includes cases where schools forums have already agreed DSG recovery/management plans that assume future year transfers.”

In order to make a transfer from the Schools Block to the High Needs Block, local authorities should consult with all local maintained schools and academies, and the Schools Forum should take into account the views of the schools responding before making their decision.

**The consultation will commence on 16 September and will close 5pm on 14 October 2022. This allows 4 weeks for schools to respond.**

The reasons for this request to be made are as follows:

1. Funding transfers from the Schools Block to the High Needs Block have been permitted for a number of years and is the mechanism the majority of local authorities have followed in order to provide for increasing demands for support of pupils with special educational needs and disabilities. In 2019/20 Staffordshire County Council elected to make use of this power, authorised by the Secretary of State, for the transfer of circa £2.4m (0.5%). However, no further transfers have been made since that time.

In the Schools Operational Guide recently published, the Government has confirmed that this mechanism will again be available in 2023/24.

2. In Staffordshire, over the last few years the movements between blocks have been:

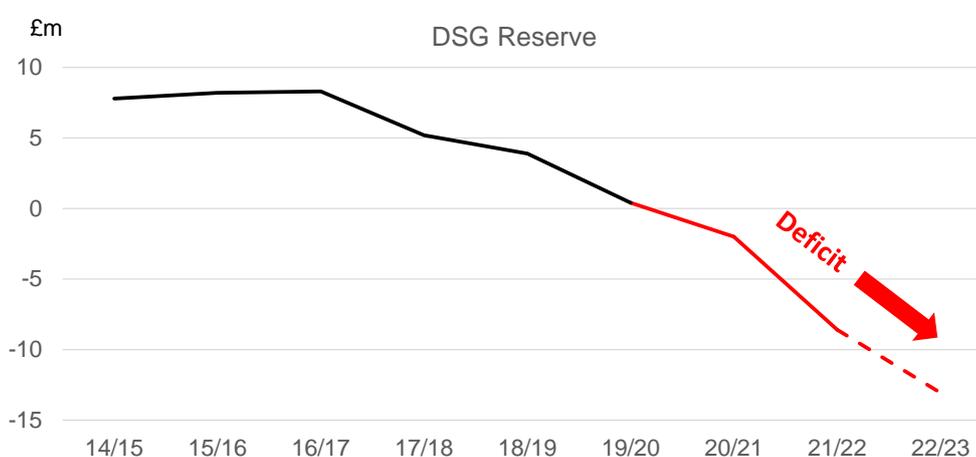
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Schools	0.8	-1.6	0.6	1.1	0.0
Early Years					
High Needs		2.4			
Central	-0.8	-0.8	-0.6	-1.1	0.0

In addition, Dedicated Schools Grant reserves have been utilised to support high needs expenditure as per the table below:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m (forecast)
Contribution to High Needs	5.1	3.6	5.9	8.2	6.0

This has led to the level of reserves reducing from c£8m at 1 April 2015, to £8.6m **in deficit** as at 1 April 2022. Pressure on the reserves has been alleviated by underspends in other areas, otherwise the existing deficit would be significantly greater.

However, given the latest forecast overspend in High Needs for 2022/23 of £6m, it is expected that the DSG reserve will be c£13m in deficit at the end of the current financial year:



3. The pressures that led to these movements have been:

- i. Numbers of children with SEND  
There has been a significant increase in the number of children with SEND due to the extension of support to young people up to the age of 25. This has resulted in the demand for both post 16 and post 19 provision rising considerably.
- ii. Complexity of need  
The needs of children with special educational needs and/or disabilities are becoming more complex and this is driving increased financial pressures across the system. There is a shortage of local specialist educational provision to meet need, particularly in relation to Autism Spectrum Condition (ASC) and Social, Emotional & Mental Health (SEMH), and this is resulting in increased specialist placements with independent providers, some of which are located outside of the local area.
- iii. Inclusiveness of the system  
Mainstream schools report the increasing complexity of children's needs which is driving up the demand for more specialist education services. Many schools are facing financial pressures and do not feel they have the

capacity to provide additional support to students.

We recognise that schools have pressures and difficulties in managing the support that pupils with high needs may present. The county council's SEND & Inclusion district model is working to deal with this by providing support and managing processes in a different way, but still recognising the funding constraints that schools and the local authority will need to deal with. In conjunction with this the local authority will be reviewing its own processes and procedures to ensure the optimum support continues to be given to schools.

iv. The SEND reforms

As well as the extension of support to cover children and young people aged 0-25, the reforms have raised the expectations of children, young people and their families. There is an expectation that young people will stay in education until they reach 25. Parental requests for specific high cost placements and tribunal decisions to support parental preference are further driving demands on the high needs block.

Over the previous five years, the number of pupils with EHCPs in Staffordshire has been increasing and has grown rapidly in recent years. In the 2022 SEN2 Census, there was a total of 6,437 EHCPs compared to 3,933 in 2017; an increase of 64% in five years.

Budgetary pressures because of the SEND pressures

4. As with many other local authorities, Staffordshire is faced with a significant overspend on the High Needs Block (HNB).

The Minimum Funding Guarantee continues to apply to special schools; for 2023/24 this has been set at 3% over 2 years compared to 2021/22 (see High Needs Operational Guide 23/24) and, given the MFG 22/23 of 2.5%, means that school core funding levels next year (place plus top up elements) must increase by a minimum of at least 0.5% based on the same pupil numbers and profile of needs.

The increased demand for places within specialist provision through parental requests and SEND Tribunal decisions has resulted in an increase in pupils being placed in the independent specialist school sector. Over the last three years the number of children in this school population has doubled, with an average cost of approximately £50,000 per placement per annum. A contributing factor to this growth is SEND tribunal rulings which require the local authority to place children at these schools. The cost of an independent specialist placement can cost in excess of c £0.2m per pupil per annum and the overall cost in 2021/22 was £22.6m; up from £10m in 2018/19 and equivalent to a rise of more than 125% in just 3 years.

Schools report that, because of pressures on their budgets, due to a range of cost increases, including those for staffing, they find these pressures create difficulties in maintaining the notional SEND budget requirements. This is leading to a greater proportion of requests for EHC needs assessments.

5. This has led to the following changes in demand for special provision

Academic Year	Requests for EHC Assessments	EHC Assessments completed
14/15	609	321
15/16	889	562
16/17	1,052	620
17/18	1,125	694
18/19	1,320	899
19/20	1,243	1,155*
20/21	1,244	688
21/22	1,622	724

\* reflects additional assessments completed as a result of the backlog

Year	Total Number of EHCP & Statements
Jan 15	3,400
Jan 16	3,631
Jan 17	3,933
Jan 18	4,456
Jan 19	4,835
Jan 20	5,117
Jan 21	6,056
Jan 22	6,437

#### Update on placement of pupils with EHCPs

6. There were 6,437 young people in Staffordshire for whom the authority maintained an EHC plan at January 2022. The majority of these pupils were placed in special schools (maintained and independent).

28% of young people aged 0-25 with EHC plans were placed in state funded mainstream schools; this is notably below the national average of 38%. Of Staffordshire's statistical neighbours only Nottingham has a lower percentage. At the same time 47% of young people with EHC plans are taught in special schools, compared to 35% nationally.

Staffordshire has the 2<sup>nd</sup> highest percentage of young people placed in special schools in comparison to statistical neighbours (with an average of 38%). The remaining young people are in further education or other specialist provision.

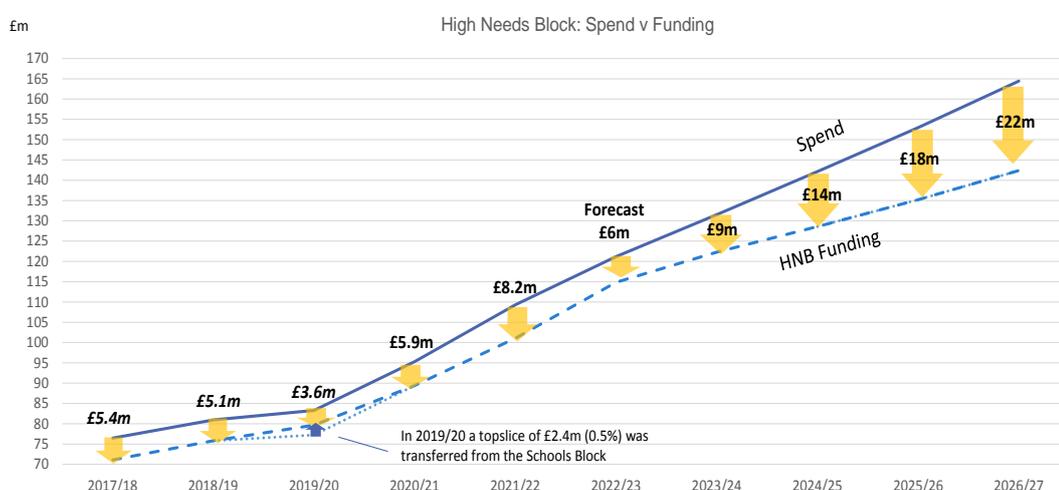
#### Financial Forecast

7. The latest financial forecast is that, in 2022/23, there will be an overspend of c £6m (there was no transfer from schools block this year). This overspend will be charged against the DSG reserve which, at the end of 2021/22, was already c £8.6m in deficit. Staffordshire County Council is not alone in this

difficult financial predicament – this is a position shared by the majority of Councils across the sector.

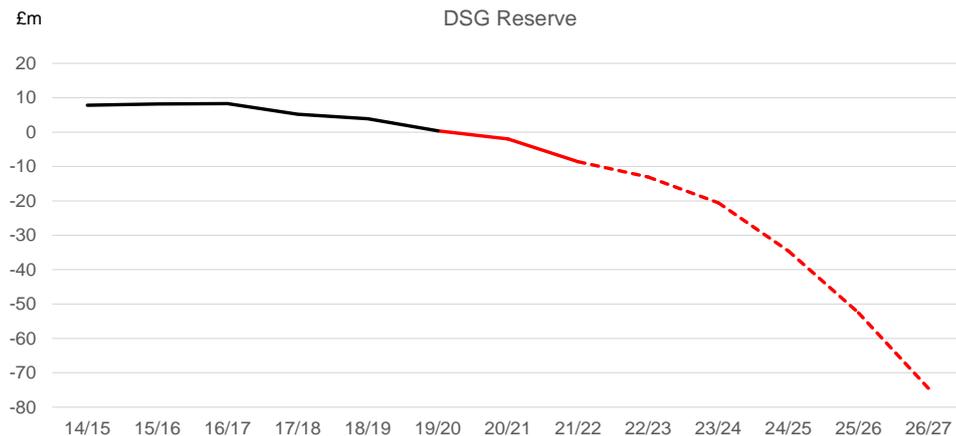
8. The Council, along with other councils across the sector, has been lobbying Government for additional funding in this vital area which, for several years, has been significantly under resourced. Positively the Government has recognised those pressures and in recent years has provided for significant additional resource; unfortunately this has only kept pace with the change in demand and has been insufficient to bridge the underlying gap.

It is estimated that Staffordshire will receive c £122m HNB funding next year, around £7m extra compared to 2022/23. However this is insufficient and it is likely that going forward service demand and cost will continue to outpace future funding levels:



It is essential the Council continues to lobby Government to ensure there is a sustainable funding model going forward that recognises the continuing increase in demand.

This is especially relevant given the level of reserves which, after years of underfunding, have now gone into deficit and no longer provide for any adequate financial resilience/assurance. Given the forecast annual overspend outlined above, then we would expect the deficit to increase over the next 5 years and, by end of 26/27 to be c £75m. Accordingly the Council must now take action and put in place a deficit management plan to mitigate this very significant financial risk:



### SEND Strategy

- The local authority has a strategic plan on how it intends to bring the High Needs Block to sustainable levels.

#### Developing Targeted Support

- The local authority is supporting the SEND & Inclusion district model which has created collaborative working between themselves and schools. As part of this project the LA, schools and other stakeholders, have established a locality based model - at a District level - enabling early intervention for the benefit of pupils who are identified as being in need.

#### Collaborative Working

- The LA is working closely with independent providers, both existing and new, to identify cost effective provision for high needs placements that offers value for money and ensures good outcomes for pupils with SEND.
- Using the DfE SEND capital funding to:
  - Develop enhanced resource bases at Mainstream Schools for children with Social, Emotional and Mental Health Needs and/or Autistic Spectrum Condition recorded within their EHCP
  - Partnership working and co-location of specialist provision on mainstream sites
  - Increase capacity in specialist provision to reduce the need to access placements at independent schools/out of county provision.

#### Partner Contributions

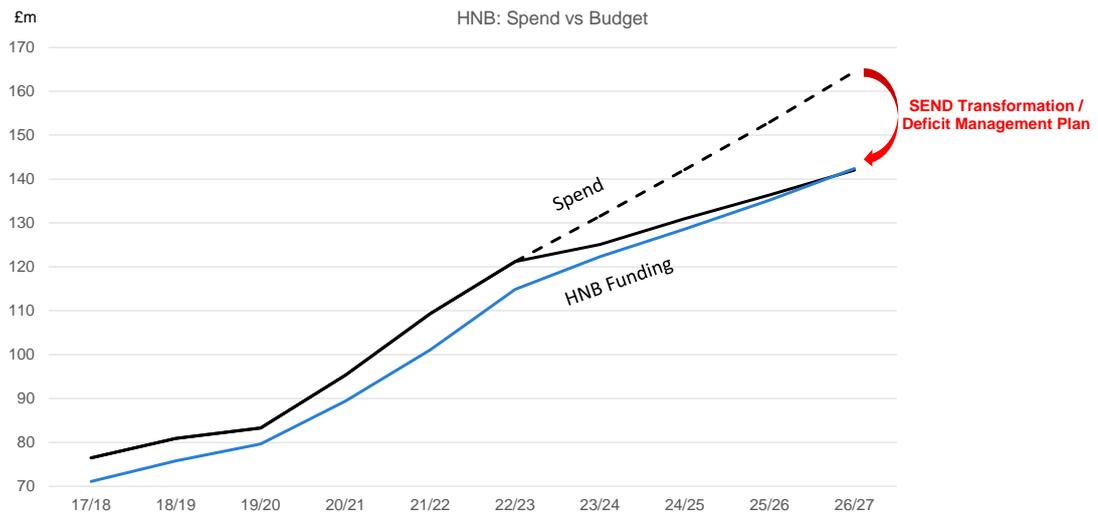
- The Council will continue to ensure a fair contribution is made from health and social care partners towards the cost of specialist places and provision where appropriate.

#### Deficit Management Plan

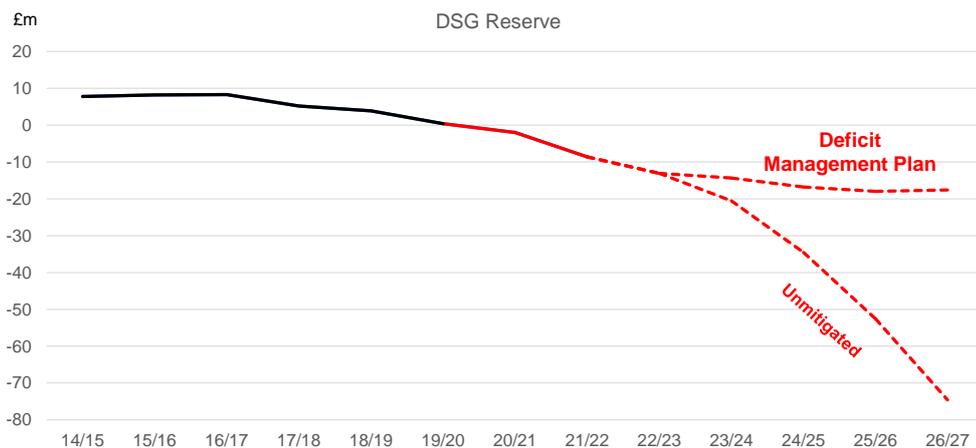
- Given the extent of the annual HNB overspend, and accumulated DSG deficit, the Council is required to put in place a 'deficit management plan'. This is not only a requirement under the 'DSG: Conditions of Grant' but represents prudent financial management. We acknowledge activity detailed within the

plan will take time; there is no quick fix, but the strategy is to first to address the annual overspend and then over a longer period to address the accumulated deficit.

11. The deficit management plan, currently in draft, addresses and closes the overspend expected to be c £22m by 26/27 and will be presented to Schools Forum at its November 2022 meeting. This will likely include difficult decisions that impact on service delivery across all sectors including:
  - a. fundamental to the strategy – and proposed deficit management plan – is the development over time of a more inclusive system where more of our children are educated and supported in our mainstream schools. By working with mainstream and special schools we will seek to provide the necessary support and capacity that will reduce the reliance on more expensive independent provision where this is not appropriate or necessary bringing the proportions of children educated within each part of the system in line with national proportions (target saving £15m by 2026/27).
  - b. the Council will review existing policy, non-statutory provision and consider alternative delivery and funding options that could reduce the pressure on HNB (target saving c £3.5m by 2026/27)
  - c. the Council has put in place significant additional investment of c £3m to support a locality based model - at a District level - enabling early intervention for the benefit of pupils who are identified as being in need. This is essential to enable the long term changes outlined above but is an additional pressure on existing scarce/overstretched HNB resources.
  - d. Despite the above actions and projected savings, this does not address the HNB overspend and bring it into balance. As a result, it is anticipated that, as part of the deficit management plan, the Council will request – annually – a 0.5% transfer from schools block to high needs block (equivalent to c £3-£3.5m p.a.) until such time that required strategic and cultural changes have impacted and a more sustainable model has been realised.



12. The above represents a difficult challenge and there is a significant risk that some of the savings will not be delivered in full; however, if the target savings are brought to fruition then this would provide for a more sustainable service going forward and will stabilise / limit the extent to which accumulated DSG deficits are permitted to develop to be addressed over the longer term:



Assessing the likelihood of a further request in 2024/25

13. As much of the HNB funding is committed to pupils and students in the system, the only opportunity of recovery is when the young person leaves the statutory system or there are reductions in costs as a result of a review. Therefore, recovery has to be phased over a number of years.

14. Whilst the Government has provided for significant additional funding over recent years, this is only keeping pace with the change in demand and is insufficient to bridge the underlying gap. Going forward there is a significant risk that annual rises in Government funding will slow down and that the funding gap will widen further.

15. The continuing implementation of the SEND strategy is expected to reduce pressures in this area over time, this is unlikely to have a significant impact in the short term. Given the level of uncertainty, and existing deficit position that is likely to further increase over the coming years, the 0.5% funding transfer from schools block to high needs block forms a key part of the Council's deficit management plan and it is therefore likely that there will be need for a request of a further switch in the following year and going forward (subject to Government permissions).

Impact on Individual school budgets

16. The total amount that would be top sliced would be determined by the 2023/24 allocations confirmed in December 2022. Based on latest forecasts, it is expected that this would be in the region of £3.1m.

17. The Schools Operational Guide 23/24 requires local authorities to set a Minimum Funding Guarantee of between +0% and +0.5%. This means on a per pupil basis, the schools' individual budgets will increase by at least 0% - 0.5% even with this funding switch.

Consultation

18. In order to make a transfer from the Schools Block to the High Needs Block, it is a statutory requirement that local authorities consult with all local mainstream schools and academies and that the Schools Forum should take into account the views of the consultation response before giving their approval. The survey will only take a few minutes to complete and is available here:

<https://forms.office.com/r/ecscJfM6Jg>

- **This survey is for mainstream schools only (Maintained and Academy) – please complete only one response per school**
  - The survey will be open until 5pm 14 October 2022

### Appendix 3: High Needs Block 0.5% Transfer Consultation Results

Do you agree with the Local Authority's proposal to transfer 0.5% (estimated to be in the region of £3.1m) from the Schools Block to the High Needs Block to support the financial pressures being experienced in supporting pupils with high needs?

Phase	Yes	No
Infant	0	2
First	2	4
Junior	0	2
Primary	12	12
Middle	0	9
High	1	5
Secondary	6	39
<b>Total</b>	<b>21</b>	<b>73</b>
<b>Percentage of responses</b>	<b>23%</b>	<b>77%</b>

The response rate for the consultation was low at 25% (94 schools responded out of 372).

#### Key themes from the supporting comments:

##### Agreeing with the proposal

- All schools benefit from the services paid for by the High Needs Block
- Understand the need for the transfer
- Mainstream cannot effectively meet the needs of increasingly complex students
- The higher percentage of pupils with SEND/EHCPs means the funds are needed.
- It is becoming increasingly harder to support children with complex needs in mainstream settings

##### Disagreeing with the proposal

- Schools are already struggling with current financial challenges
- Central Government should be providing the LA with the funding to meet its obligations
- This will be a detriment to the provision we can provide in school.
- No trust that the money will end up where it will make a difference with current working practice
- We currently have the funding in our budgets are best placed to channel funds to those pupils most in need
- No business plan to demonstrate what schools would gain
- No track record that SCC will be spend the money effectively
- Money on placements that are not needed or are privately provided, highly expensive tribunals and a lack of investment in suitable facilities to support the needs of pupils who can access mainstream are all examples of where current oversight is wrong.